Northwest Territories

Public Utilities Board
Annual Report

For the year ending
December 31, 1986

92-01181/

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John H. Parker
Commissioner
Government of the Northwest Territories
Yellowknife, N.W.T.

Sir:

The undersigned takes pleasure in submitting the Annual Report of the Northwest Territories Public Utilities Board for the calendar year ending December 31, 1986.

Respectfully submitted,

Tom Butters
Minister Responsible for the
Public Utilities Board of the
Northwest Territories

The Honourable Tom Butters
Minister Responsible for the
Public Utilities Board of the
Northwest Territories

Sir:

I have the honour to present the report of the activities of the Northwest Territories Public Utilities Board for the calendar year ending December 31, 1986.

Respectfully submitted

Jack Heath
Chairman
Public Utilities Board

What is a Public Utility?

By definition, no single characteristic distinguishes a public utility. When the following conditions are combined however, they serve to identify a public utility.

Public Utilities are frequently natural monopolies. Natural monopolies exist when one company can supply the entire market at less cost than can two or more competing firms.

Secondly, because public utilities incur relatively little market pressure or competition to influence the price of their service; the rates public utilities charge their customers in the Northwest Territories is determined by regulation.

A utility must supply all who want service, when they want it, at the price regulated by the Board. Put simply, the utility cannot turn away customers who are willing to pay the prescribed price.

Fourth, subject to the approval by the Board, utilities can enter into franchise agreements with partners (i.e.. cities, towns) which allows them to operate as exclusive suppliers within a franchise area. Moreover, public utilities require formal Board approval to offer a new service, extend, change or abandon a particular service.

Fifthly, the public utility must provide a service that is essential in some way to contemporary standards of living.

Organization of the Board

The Board

Chairman	Jack Heath (Inuvik)
Vice-Chairman	Beulah Phillpot (Yellowknife)
Member	Archie Bevington (Fort Smith)
Member	David Fox (Iqaluit)
Member	Raymond Mercer (Rankin Inlet)

Board Staff

Executive Director	Dale S. Thomson
Policy/Economic Advisor	Mark M. Johnston
Regulatory Clerk	Sherry Shields
Secretary/Receptionist	Lynda Gerhardt
Legal Counsel	Shane Freitag Department of Justice
Consultants	Stephen Johnson Chartered Accountants - W.G. Stephen
	I.D. Engineering Co. Ltd. Director - Utility Regulation Lawrence F. Schmidt, P.Eng.

Office Location

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Yellowknife, N.W.T..
XIA 2N5
Telephone (403) 873-7495
Telex 034-4531

The Role and Jurisdiction of the P.U.B..

The Public Utilities Board is constituted by Territorial Legislation (**Public Utilities Act R.S.N.W.T. 1974, C.P.-17).** All electrical and gas utilities as defined in the Act are subject to Board regulation. The mandate of the Board as expressed by its Act is to regulate public utilities by approving franchise agreements and fixing utility rates and charges.

In the broad sense, the objective of public utility regulation is to ensure that as utilities they are essentials of living in the north, rather than luxuries or conveniences. Since they are necessities, they must be available on demand.

Not unique to the Northwest Territories, utilities are prevented, both by economics and by regulation, from moving to another location, changing the character of the service, or discontinuing service. Their operations are localized and limited by the necessary direct connection with every piece of customer equipment. The large investment in fixed property causes utilities to operate with relatively high fixed costs. (i.e. depreciation, property taxes, insurance and interest)

Although the Board has many powers and duties, perhaps the principle reason for its existence is the regulation of rates. There are two principle aspects of setting utility rates. First the Board evaluates the utilities rate base - the net investment in the utilities operations, (i.e.. equipment and operating expenses, taxes, depreciation etc..) The Board assessess the utilities revenue requirement in terms of the rate of return permitted on the companies investment. The Board then approves the allocation of prices for the individual classes of service, the sum of which composes the utilities total revenue.

In deciding rates and assessing complaints, a Board is obliged to conduct itself in accordance with the principles of fairness and natural justice which provides that;

1. Members must be impartial and without a personal or financial interest in the outcome of Board decisions;

2. Only those Board members who hear all the evidence and arguments may participate in rendering a decision;

3. Members have a duty to act in good faith and listen fairly to all parties, and to ensure each party has ample opportunity to correct or contradict any relevant statement prejudicial to his point of view;

4. All parties before the Board have equal status;

5. Board members must not enter private discussions on matters before the Board with interested parties, either formally or informally;

6. The Board has a duty to decide matters for which it has an exclusive mandate on the basis of the evidence it receives from all parties and its own judgment.

REGULATED UTILITIES

Presently the Board regulates two utilities:

Northland Utilities, (NWT) Ltd.
Head Office: Hay River, N.W.T.

ICG Northern Utilities Ltd.
Head Office: Leduc, Alberta

The Public Hearing Process

The Board conducts hearings pursuant to Section 32 of the Public Utilities Act - Rules of Practice. Public hearings are used as the medium in which the Board considers a wide variety of issues and the views of interested parties; thus ensuring a well informed decision.

The process has several steps:

1. **Initiation**

   a) upon receipt of an application
   b) upon request of the Commissioner
   c) upon issuance of Memorandum of Instruction from the Executive.
   d) upon direction of the Board that it will investigate a matter under its jurisdiction.

2. **Notice of Application/Hearing**

   Prior to any public hearing, notices are taken out in all relevant publications depending upon the jurisdiction involved. It is customary that a utility formally advise Mayors, Town councils, and its major customers in the franchise area of its application by way of general notice. Any information received by the Board is available through the Board office.

3. **Intervention**

   Formal written interventions are usually required outlining the intervenors concerns with copies addressed to the utility in question. Interventions should be sent to the Board within the time specified in public notice and should provide detailed reasons for supporting or opposing the utilities application.

4. **Interim Rates**

   On occasion, if a utility believes that a change in its cost of doing business will cause both it and its customers economic difficulty, the utility may apply to the Board for an interim rate approval. In considering such applications, the Board reviews the utilities supporting documentation whilst concurrently evaluating the effects of the proposed interim rate structure on the electrical consumer. The logic behind interim rates is to avoid the "telescoping" of rates into shortened time frame and to minimize capricious swings in energy prices in the short term; thereby ensuring rate stability over the medium and long term scenarios.

5. **Pre Hearing Documentation**

The Board may direct the applicant to furnish additional information particulars it deems necessary to complete or supplement the application pursuant to Sec. 7(1) of the Rules of Practice.

b) The Board Staff and intervening parties may seek additional information by way of written interrogatories.

c) Utilities respond to interrogatories concerning prefiled evidence before the hearing commences.

6. **The Hearing**

The hearing process is by far the most effective way in which the Board can adjudicate fairly, considering the views of all interested parties. At the hearing, the utility usually testifies first through written evidence and witnesses. Intervenors and Board Counsel are then given an opportunity to cross examine the applicant and supply witnesses of their own. These witnesses may then be cross-examined by the applicant. Copies of the hearing transcripts are available at a prescribed fee.

7. **Board Decision/Order**

The Board Order is a legal document. In the decision, the Board summarizes issues and arguments raised in the hearing and indicates its findings. The Board Order directs the implementation of the Board Decision which is binding on the parties named. Parties to the hearing receive a copy of this order which is available to the public upon request.

8. **Review and Appeal**

A Decision or Order of the Board may be appealed upon a question of law. Appeals may be directed to the Supreme Court of the Northwest Territories within two months of the day the Decision or Order was filed.

1986 ACTIVITY SYNOPSIS

DECISION 1-86 APRIL 8, 1986

PROPOSED

Northland Utilities (NWT) Limited (Northland) proposed changes to the rates charged to customers in the Hay River - Enterprise and Fort Providence - Kakisa - Dory Point service areas.

ORDERED

That the overcollection of rates by Northland be refunded to customers in each specific rate zone as expeditiously as possible.

DECISION 2-86 APRIL 22, 1986

PROPOSED

ICG Northern Utilities Ltd. (ICG) proposed changes to the existing rates, tolls and charges for electrical energy supplied to customers in the Yellowknife service area. The application covered a proposal to refund the utilities customers an overachievement of monies from the period April 11, 1983 to October 31, 1985.

ORDERED

1. The Board agreed with the majority of intervenors that one hundred percent (100%) of the overcollection should be returned to the electrical consumers of Yellowknife.

2. The Board further ordered, that the interest charges so accrued would become part of ICG's cost of service and should be included in the operating cost for the next rate hearing in which ICG is ordered to appear, scheduled for the Spring of 1987.

3. Additionally, the Board ordered the utility to immediately implement an Automatic Adjustment Passthrough Program designed to adjust rates to reflect any increase/ decrease greater than the two percent actually charged by N.C.P.C.

DECISION 3-86 NOVEMBER 3, 1986

PROPOSED

ICG Northern Utilities Ltd. (ICG) made application to change existing rates, tolls and charges accruing from the refund order in Decision 2-86.

ICG requested that they be allowed to terminate the existing rider for consumption on and after November 1, 1986 and that the balance of the overachievement be applied to customers bills for the month of December based on consumption on and after November 1, 1986.

ORDERED

The Board approved the application as submitted.

Further, as indicated in Decision 2-86, the Public Utilites Board agreed to review all matters related to the repayment schedule, as well as to any concerns arising from the refund process in a Hearing to be scheduled for the Spring of 1987.

DECISION 4-86 DECEMBER 23, 1986

PROPOSED

ICG Northern Utilities Ltd. (ICG) submitted an application requesting approval of changes to its sales rates effective January 1, 1987.

ORDERED

1. The rates, tolls and charges set out in schedules were approved as submitted on an interim basis with respect to all electricity consumed on or after January 1, 1987.

2. That during the month of April 1987, by way of Public Hearing, ICG Northern Utilities Ltd. present on a two phase basis, the following information:

   Phase I: All relevant documentation and information as directed by the Board in Decisions 2-86 and 3-86.

   Phase II: All relevant documentation to provide a full and complete review of the applied for rate adjustment effective January 1, 1987.

The P.U.B. of Past, Present and Future

In retrospect, 1986 can be viewed as a year characterized by transition in the field of Public Utility Regulation in the Northwest Territories. Evidence of this fact is illustrated by:

Ongoing negotiations focused upon the proposed takeover of the Northern Canada Power Commission by a Territorial Energy Corporation. These negotiations may finally resolve the historic jurisdictional debate between The Northern Canada Power Commission and the Public Utilities Board and potentially change the nature of the utility regulation in the N.W.T.

A number of franchise applications and extension of service agreements in both electrical and natural gas fields are currently before the Board. The regulation of the latter would represent a first for both the Board and the Northwest Territories.

It would appear that 1987 will witness renewed interest in alternate energy projects, particularly wind energy conversion projects now proposed for some locations on the Arctic Coast.

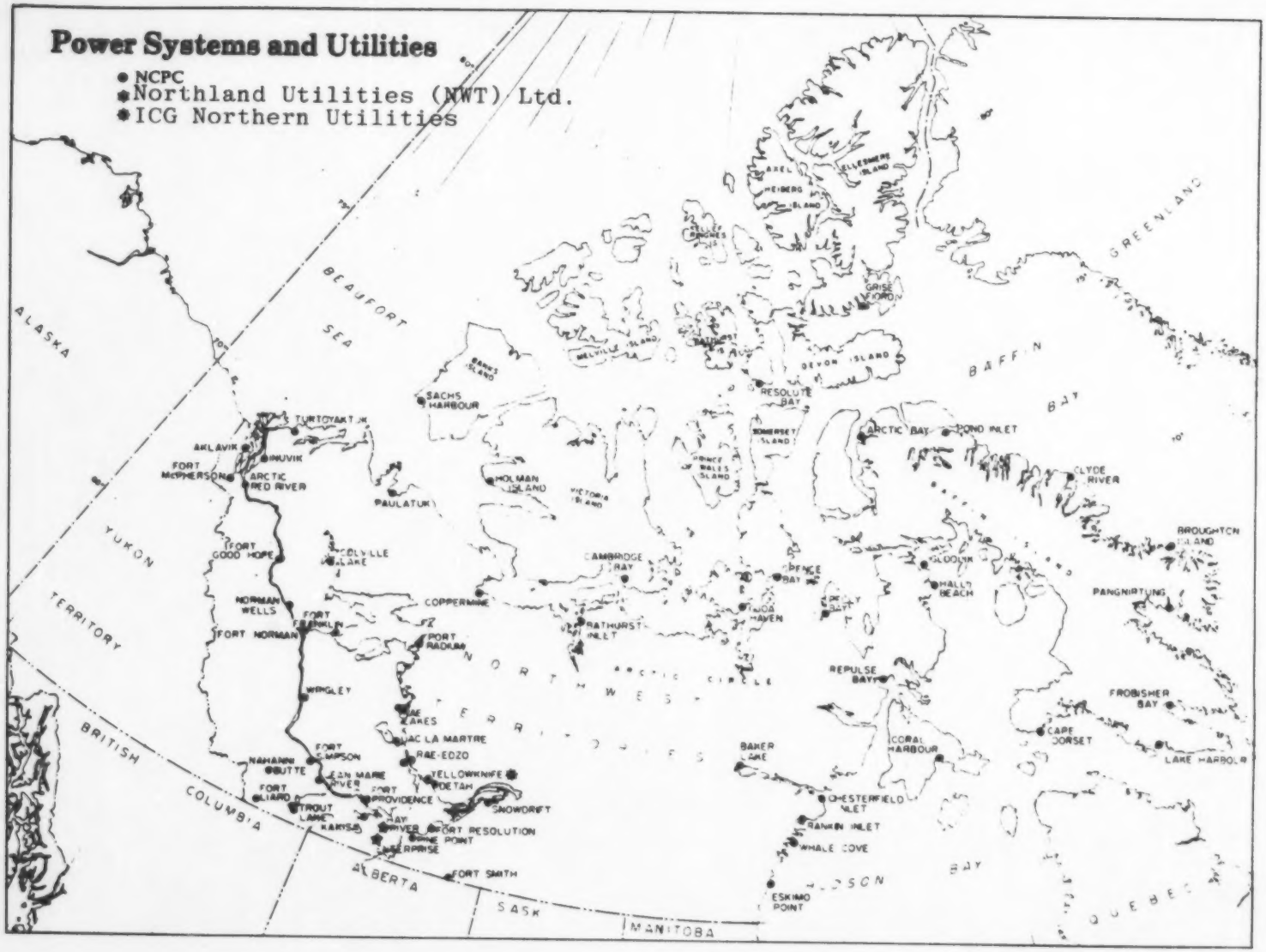
In response to these dynamic developments the Board has worked hard to ensure the scope of its expertise retains both the breadth and depth necessary to make well informed decisions by continued education of the Board Members and staff through attendance at the following events:

1. Attendance of the Chairman, Member Mercer and the Executive Director at The Center for the Study of Regulated Industries. The topics for discussion included: changes in the regulatory environment, establishing a framework for the regulation of a crown owned utility, the role of the regulatory tribunal in handling customer complaints, current energy and financial issues in public utility regulation, the pricing decision process - energy, and confronting the necessary changes - the role of regulators.

2. Attendance of the Chairman, Member Bevington, Member Fox, and Policy/Economic Advisor at the 1986 Annual Meeting of Canadian Association of Members of Public Utility Tribunals hosted by Saskatchewan Public Utilities Commission. Once again, the program and the contacts were found to be educational and encouraging. Changing economic, technical and social factors affecting Public Utilities and consequently the regulatory process were identified and analyzed. This forum brought together theorists and specialists as well as all those who must make viable decisions on behalf of the consumers.

Additionally, in early 1986 the Board acquired the services of Mark M. Johnston, replacing the Technical Researcher Position. A Socio-Economist by training, Mr. Johnston brings with him a solid understanding of northern people, policy and process and will contribute his expertise as both Policy and Economic Advisor to the Board.

The energy environment in the Northwest Territories is very much in a process of becoming rather than being. In lieu of this fact, the Board will continue to liaise with, and bennefit from its southern regulatory counterparts to remain relevant and responsive to the changing nature of the utility regulation.


Power Systems and Utilities
• NCPC
• Northland Utilities (NWT) Ltd.
• ICG Northern Utilities
ALASKA
BEAUFORT SEA
YUKON TERRITORY
BRITISH COLUMBIA
ALBERTA
SASK
MANITOBA
NORTHWEST TERRITORIES
ARCTIC CIRCLE
BAFFIN BAY
GREENLAND
HUDSON BAY
QUEBEC
SACHS HARBOUR
TUKTOYAKTUK
AKLAVIK
INUVIK
FORT McPHERSON
ARCTIC RED RIVER
PAULATUK
FORT GOOD HOPE
COLVILLE LAKE
NORMAN WELLS
FORT NORMAN
FORT FRANKLIN
COPPERMINE
HOLMAN ISLAND
CAMBRIDGE BAY
PELLY BAY
GJOA HAVEN
BATHURST INLET
FORT RADIUM
WRIGLEY
LAC LA MARTRE
RAE-EDZO
YELLOWKNIFE
DETAH
SNOWDRIFT
FORT RESOLUTION
FORT PROVIDENCE
FORT SIMPSON
NAHANNI BUTTE
JEAN MARIE RIVER
FORT LIARD
TROUT LAKE
KAKISA
LAY RIVER
WEIRE POINT
ENTERPRISE
FORT SMITH
RESOLUTE BAY
ARCTIC BAY
POND INLET
CLYDE RIVER
BROUGHTON ISLAND
GJOA HAVEN
HALL BEACH
PANGNIRTUNG
REPULSE BAY
FROBISHER BAY
CAPE DORSET
LAKE HARBOUR
CORAL HARBOUR
BAKER LAKE
CHESTERFIELD INLET
RANKIN INLET
WHALE COVE
ESKIMO POINT